

The Mexican Economy's Driving Engine

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Nissan, Honda, and Mazda have new plants opening in Mexico next year. Construction is underway on 40 new auto parts plants to meet the coming demand. Last month, Nippon Steel announced plans to have a steel plant in operation by the middle of next year in the central Mexico state of Guanajuato to service the auto industry. NAPS, an administrative service provider in the industry since 1991, now offers its [services](#) to companies manufacturing in the Central region of Mexico. With an office in Guanajuato, NAPS has on-site staff fluent in Japanese, Spanish and English. Japanese auto manufacturers have identified Guanajuato as a key location for auto manufacturing in Mexico. "NAPS has a long history of working with Japanese manufacturers and therefore the move to Guanajuato to support the tier one, two and three suppliers of these big automotive firms made perfect sense," said Scott Stanley, Sr. Vice President of Sales and Marketing at NAPS.

Audi, a part of the Volkswagen group, recently announced plans to build a 1.3 billion dollar facility for production of its German luxury cars in Puebla. It is Audi's first plant in the Americas. BMW and Mercedes have also announced plans to build automotive manufacturing plants in Mexico in the coming years. Ford and General Motors are expanding existing facilities.

Outgoing Mexican President Felipe Calderon recently touted Mexico's place as fourth largest exporter of automobiles and parts in the world. He pointed to wage competitiveness, infrastructure, and a skilled work force as integral to the success of the automotive industry in Mexico. Wages in Mexico are 50 to 80% lower than in the United States, with production costs 25% lower.

The automotive industry in Mexico began growing in earnest in the late 1990's with the improvement in the Mexican economy, precipitated by the passage of NAFTA in 1994. The industry is still, however, export driven. Through May, 80,000 automobiles were sold domestically, which is only roughly a quarter of the cars produced in Mexico each month.

The United States imports anywhere from 60 to 80% of autos manufactured in Mexico. In light of this, the health of the U.S. economy is critical to Mexico fulfilling the lofty predictions for future growth in the automotive industry. Exports to the United States rose in the first six months of this year as opposed to the same time frame in 2011. The export figure, however, is still 10% lower than five years ago, before the economic crisis.

Mexico has also had recent dustups with its two Latin American competitors in the automotive industry, Brazil and Argentina. Brazil forced a concession on Mexican auto imports by threatening to abandon a trade deal between the two nations. Mexico has filed a dispute with the World Trade Organization after Argentina tried to follow Brazil's lead. Competition is likely to heat up as the three nations vie for market share in Latin America.

Despite potential challenges and the uncertainty of the global economy, automotive manufacturing in Mexico will play a key role in the country's economic development. Auto makers from around the world are betting big on Mexico.

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About NAPS

With over 20 years of experience doing business in Mexico, NAPS can provide expert commentary on trends and changes in the industry. NAPS offers administrative support services for companies manufacturing in Mexico. Administrative services include: Site Selection, HR, Recruitment, Accounting, Payroll, Customs, Environmental and Corporate Compliance. For more information contact NAPS at 858.794-7947 or visit our [website](#).